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Federal Communications Commission
Office of Secretary

April 23, 1997

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, DC 20554

Re: **Intermedia Communications, Inc. Position Paper
on Access Charge and Universal Service Reform:
Written Ex Parte Statement in CC Docket Nos. 96-262 and 96-45**

Dear Mr. Caton:

Intermedia Communications, Inc. ("ICI"), pursuant to Section 1.1206(a)(1) of the Commission's Rules, hereby submits an original and two copies of its summary Position Paper on reform of the federal access charge and Universal Service systems.

As the Position Paper makes clear, the recommendations on Access and Universal Service reform submitted by ICI achieve the following goals:

1. Places a substantial portion of the access charge revenue requirement on those services and network functions that are most subject to competition, so that market pressures will drive access charges to efficient levels. Encourages competition by aligning the recovery mechanisms more closely with associated network costs.
2. Affords states, and encourages states to take, an opportunity to play the appropriate role in their respective jurisdictions.
3. Moves to economically efficient pricing by converting existing usage charges to flat-rated charges.
4. Effects a substantial reduction in existing per-minute of use access charges in a competitively neutral manner.
5. Avoids direct impact on end users.

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6. Establishes a responsible mechanism for the collection and administration of Universal Service funding; provides additional protection for low-income users; provides reasonable funding for schools, libraries and medical institutions; and establishes further proceedings to continue data collection and to coordinate Universal Service policies with state regulators.
7. Establishes a moderate and competitively neutral reform approach that provides the greatest possible protection against stays or reversal on appeal.

ICI urges the Commission to act expeditiously in adopting these proposals. The need to establish certainty in the regulatory structures that impact the entire telecommunications industry is as important as reforming the access and Universal Service systems themselves. In this increasingly competitive environment, regulatory certainty is essential to carriers that are developing new business plans and designing and pricing new services. Such certainty is equally important to the capital markets that are heavily and increasingly invested in telecommunications businesses. In light of this critical concern, ICI urges the Commission to adopt as soon as possible the market-based, competitively neutral, and easily implemented reforms proposed herein.

ICI is prepared to provide the Commission with any additional information regarding these matters that the Commission may find useful.

Respectfully submitted,



Michael Viren
Senior Vice President,
Strategic Planning and New Services

cc: w/attachments

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International Transcription Services

**INTERMEDIA COMMUNICATIONS, INC.
PROPOSAL FOR REFORM OF ACCESS CHARGE
AND UNIVERSAL SERVICE SYSTEMS**

April 23, 1997

UNIVERSAL SERVICE

1. Rural areas/high cost areas

- Continue to fund at current levels, pending further inquiry to quantify appropriate subsidy levels.
- Proceed with the establishment of an independent, third party entity to maintain and administer Universal Service support fund.

2. Lifeline assistance

- Low-income subscribers should receive assistance on a means-tested basis, with the Commission/State defining maximum income levels and/or other standards that will qualify subscribers to receive support.
- Lifeline assistance will be funded by an explicit flat-rated charge assessed on all local lines, trunks, wireless lines, and interexchange carrier presubscribed lines.
- Plan supports the definition of Lifeline service as recommended by the Joint Board.
- The fund will be maintained and administered by the independent, third party entity discussed above.

3. Fund for Schools, Libraries, Rural Medical Institutions

- Establish a separate fund, not to exceed \$1 billion, to provide services to these institutions. The revenue requirement for this separate fund should be tied to the revenue requirement reductions made in the transport interconnection charge (TIC).
- The fund will be financed by an explicit flat-rated charge assessed on all local telephone lines, trunks, wireless lines, cable television (CATV) coaxial access lines, and interexchange carrier presubscribed lines.
- Inside wire is not a telecommunications service, and the Commission is not authorized by the Telecommunications Act of 1996 to require subsidy payments for these capital costs. This function should be excluded from the subsidy.

- The fund will be maintained and administered by the independent, third party entity discussed above.

ACCESS REFORM

1. Carrier Common Line Charge

- The Carrier Common Line revenue requirement should be converted to a flat-rated Presubscribed Line Charge imposed on a per-presubscribed line basis upon all presubscribed interexchange carriers, including CMRS carriers, through an approach that causes minimal disruptions. It should also allow for a phased-in implementation approach if needed.
- The Presubscribed Line Charge for business lines should be approximately three times the charge for residential lines¹ that is assessed all providers of interexchange service.

2. Transport Interconnection Charge

- The TIC revenue requirement should be reduced by \$1 billion, effective July 1, 1997. The revenue requirement should be transferred to the revenue requirement increase created by the separate fund for schools, libraries and rural medical institutions. This proposal remains revenue requirement neutral.
- The remaining Transport Interconnection Charge revenue requirement should be converted to a flat-rated Presubscribed Line Charge imposed on a per-presubscribed line basis upon all presubscribed carriers, including CMRS carriers.
- The Presubscribed Line Charge for business lines should be approximately three times the charge for residential lines.
- The Commission may initiate a proceeding to evaluate reductions of the TIC element in the Presubscribed Line Charge over time.

3. No Changes to Other Access Charges at Present

- No additional changes to the existing access structure are necessary at this time.
- There is no need to adopt separate set of regulations governing terminating access charges; competitive pressures will prevent pricing abuses on terminating access.

¹ ICI recommends a larger allocation of the revenue requirement to presubscribed business lines because these lines will be subject to a greater level of competition than residential lines, at least in the near term.

- The Commission may undertake additional proceedings to determine whether some form of reduction in access charge levels should be mandated, or whether further changes to the access rate structure are necessary.

INCUMBENT LEC PRICING FLEXIBILITY

- ILECs should not be accorded additional pricing flexibility until it is demonstrated that competition is adequate to prevent unreasonable discrimination in access charges.
- The Commission should require that any economies reflected in ILEC access charges deaveraged by density zones, or in volume and term discounted rate structures for access services, are also reflected in charges for collocation, interconnection and unbundled rate elements.

IMPACT OF ICI PROPOSAL

- 61% reduction in per-minute of use access charges.
- Reassignment of \$5.6 billion in non-traffic sensitive costs and other revenue requirements to economically efficient flat-rated charges.
- Monthly Presubscribed Line Charge²
 - \$1.87 per residential line
 - \$5.61 per business line
- Access charges reassigned to areas where they are subject to competitive pressures:
 - * Presubscribed Line Charge provides incentives for competitive carriers to build their own loops, or to purchase unbundled loops from ILECs.

² Assumes allocation of the current \$3.7 billion CCL and \$1.9 billion of the current TIC revenue requirement among 100 million residential and 50 million business presubscribed lines. This is a conservative estimate, in that the most recent count released by the Industry Analysis Division identifies a total of 152.6 million presubscribed access lines. (Trends in Telephone Service, March 1997, at Table 17.) The per-presubscribed line charge amounts will decrease if adjusted for this higher number, and will continue to fall at 2-5% per year if the growth in presubscribed lines continues at its historic rate. *See id.* In order to ensure that access charges are not excessive, the Commission should recalculate all per-line charges annually, based on the most current line counts available.

- * In either case, the carrier owning the presubscribed line has incentive to reduce the amount of access charges that ultimately would be flowed through to the end user.
 - * Appropriate to place larger access reform burden on presubscribed business lines because they will be subject to greater levels of competition in the short term than residential lines.
- Eliminates highly controversial aspects of the plans submitted by other parties that could render final Commission action subject to stay or reversal on appeal.
Specifically:
- * By avoiding Subscriber Line Charge increases or new surcharges on end users, the ICI Proposal places these payment obligations on carriers. For access charges, this approach ensures that competitive pressures will drive the charges to economically efficient levels.
 - * By taking a market-based and competitively neutral approach in restructuring access charges and promoting further rulemaking proceedings regarding universal service reform, the ICI Proposal avoids drastic changes in the access charges that would result in rate shock to consumers or competitive carriers, or in dramatic revenue changes for local exchange carriers.